Mission Aligned Service Acquisition

Creating a Customer Focused Value Chain

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Transformation Challenge

FAR Guiding Principles

- Vision:
  - All participants are charged with making decisions that deliver the best value product or service to the customer
- Performance Standards
  - Satisfy the customer – cost, quality, and timeliness of delivered product or service
  - Minimize administrative operations cost
  - Conduct business with integrity, fairness and openness
  - Fulfill public policy objectives
- Exercise personal initiative and sound business judgment to provide best value
  - In exercising initiative, actions that ensure the best interests of the government are within your authority unless they are specifically prohibited by law or policy

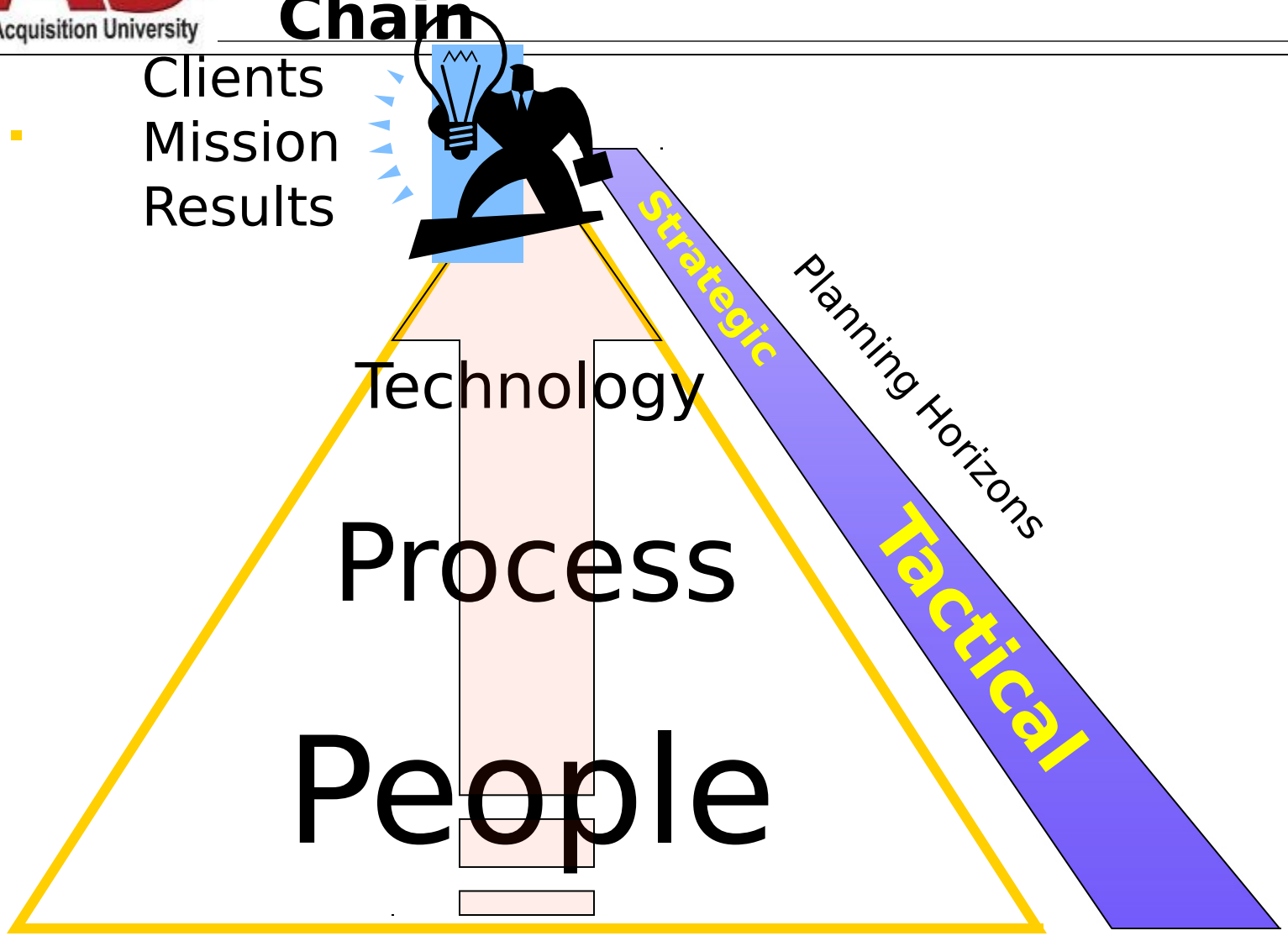
Acquisition is a Mission Focused Process

Clients
Mission
Results

All Acquisition Actions start with a Mission Performance Need

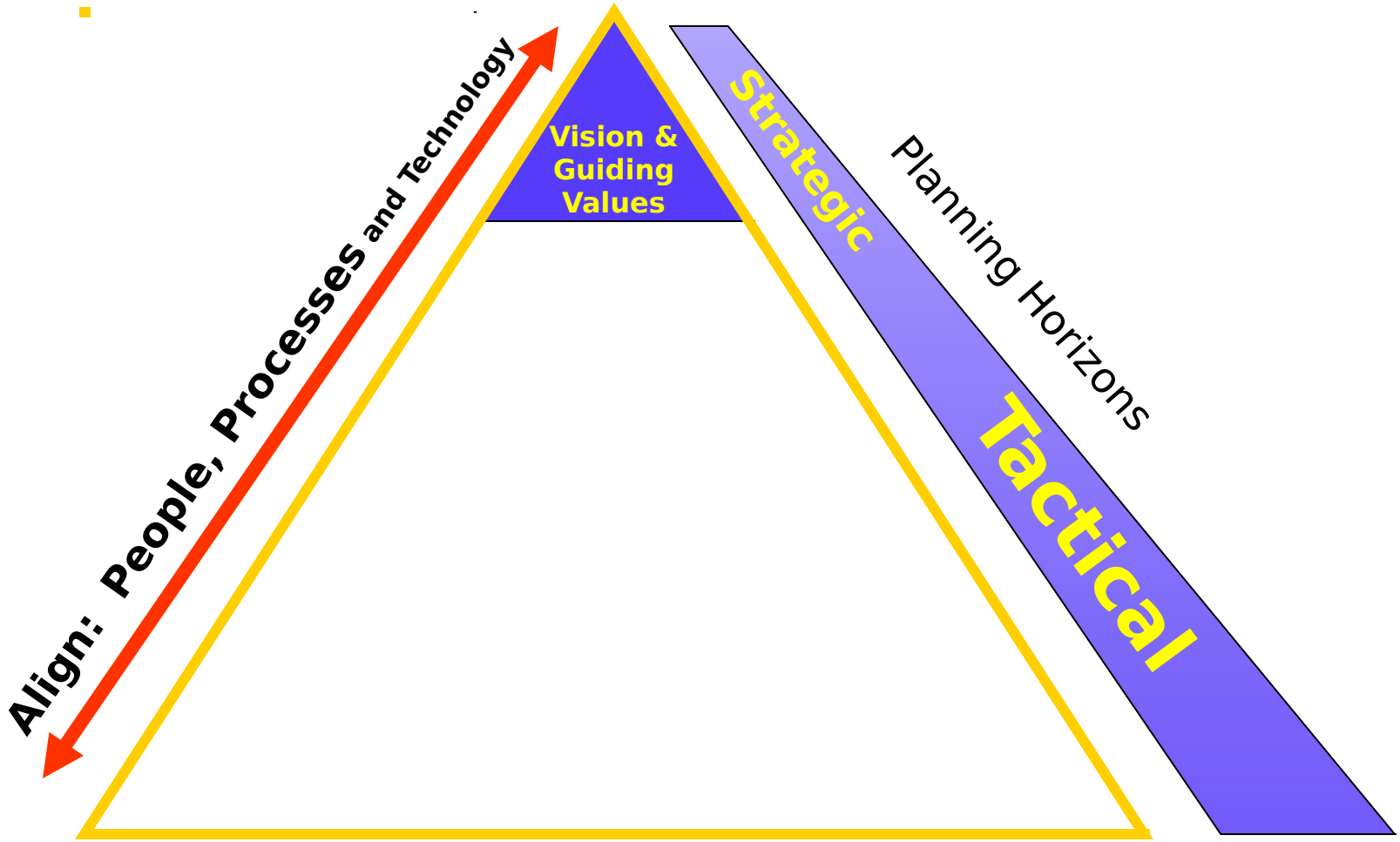
Transforming your Mission Support Value Chain

- Clients
- Mission
- Results



Transforming your Mission Support Value Chain

Clients Mission Results



Vision and Guiding Values

- Vision is an essential foundation for action
  - Aligns people and processes around a common objective
  - Sets broad direction and objectives
  - Defines your role as your clients value add business strategist
  - Get your leadership “Buy In”

- Vision: ***Exceed our client’s expectations with on time, on schedule and on budget mission focused results***.
  - Customer focused
  - Supported by ***Guiding Values*** that set the structure for delivering the vision

Vision's Guiding Values

- ***Guiding Values*** define tangible actions needed to achieve the Vision
  - Mission Aligned
  - Team Based
  - Value Driven
  - Performance Focused
- Looking for a leadership challenge??

Vision's Guiding Values

- ***Mission Aligned***
  - Acquisition teams exist to support a clients mission needs for contracted services or supplies
  - Requires thorough understanding of clients performance needs and goals
  - Commitment to client – it's not just a contract, it's your mission we're focused on
    - Support both strategic and tactical mission requirements

Vision's Guiding Values

- ***Team Based***
  - Cross functional teams produce better solutions
    - Empowered, critical thinkers with a passion for excellence
    - Achieve a common focus on the process and results to be achieved
  - Trust is the essential element of team building
    - Shift from blame culture to performance culture
  - Teams are learning organizations that continuously develop and enhance team members capabilities, incentives
  - Contractor is an integral participant and active member of the team
    - Build Strategic Partnerships through shared goals
  - Accountable for results

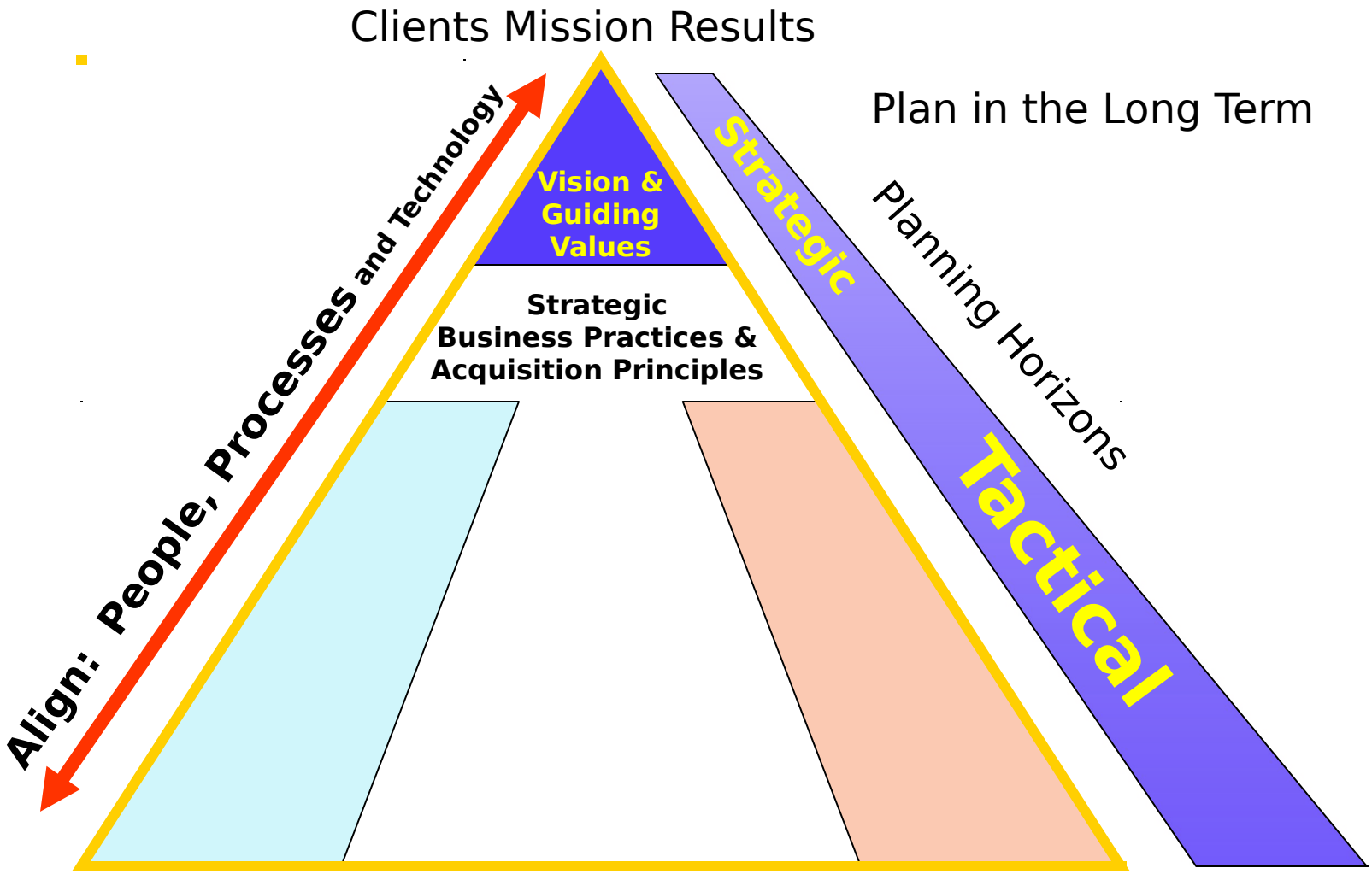
Vision's Guiding Values

- ***Value Driven***
  - Guiding Principles – FAR 1.102
  - Understand how the client defines "Best Value"
  - Value is dynamic, it's a constantly evolving process
    - Requires commitment for continuous process improvement
    - Requires measurement and assessment
  - Create strategic and tactical strategies that drive value creation and performance improvement

Vision's Guiding Values

- ***Performance Focused***
  - Define needs through performance outcomes
  - Not change adverse – adaptation a virtue
    - Focus on Results
  - Develop skills for high performance project execution
    - Define, Measure and manage performance outcomes
    - Focus on continuous process improvement
    - Decisions and actions based of facts
    - Communicate and share performance results

Transforming your Mission Support Value Chain



Strategic Business Practices and Acquisition Principles

Strategic Business Practices support Vision and Guiding Values

- Hire the experts
  - Give them the latitude to drive process improvement to deliver greater mission support value
  - Carefully examine past performance for track record of continuous process improvement
  - Create a positive, professional, mission focused business culture
- Don’t contract at the task level, contract at the process ownership level whenever possible
  - Place responsibility and accountable for results in the same hands

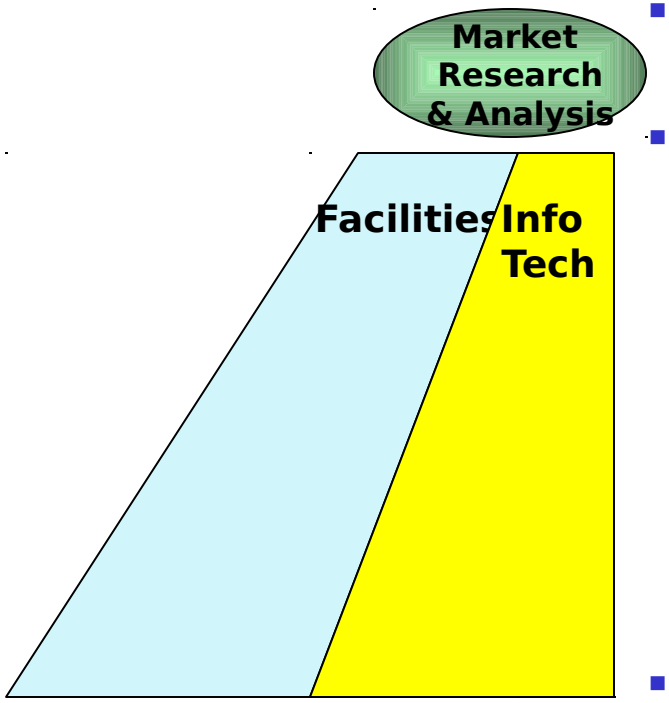
Strategic Business Practices and Acquisition Principles

Strategic Acquisition Principles

- Apply best commercial market practices
- Tailor support strategies
  - Use market practices and spend analysis to identify strategic mission support functions
- Develop tailored performance requirements and acquisition strategies for support functions that continuously improve client performance value

Understand YOUR Clients Needs

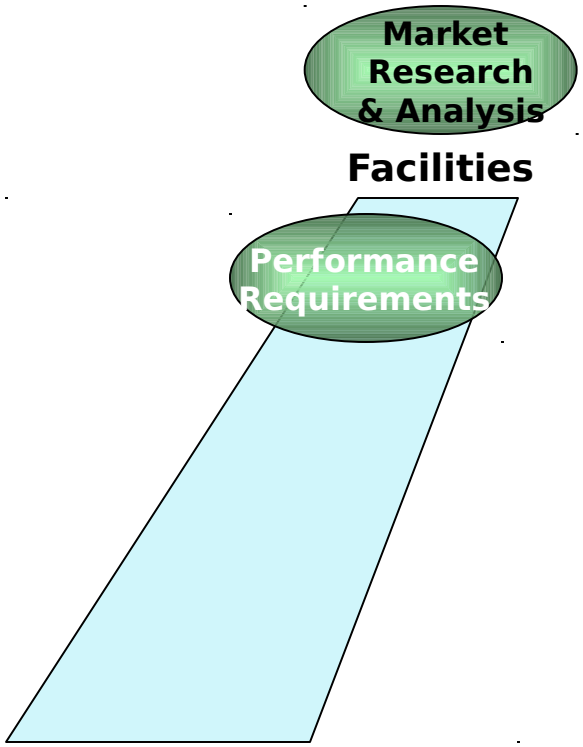
Understand and Analyze the Marketplace



- **Identify clients functional support categories**
  - Provides road map to guide Market Research
- **In depth, team based, understanding of commercial market practices and other market intelligence**
- **Interview consumers of similar services-public & private**
  - Commercial practices for aggregating functional requirements
  - Structure of Requirements Documents
  - Contractual arrangements and performance metrics
  - Performance incentives used and length of contracts
  - Performance assessment and feedback processes
  - Who are industry leaders and innovators
  - How they manage the seams between functional areas to ensure they complement the value chain
- **Establish a continuous engagement with commercial market place and document evolving practices**
  - Share performance information with public & private sectors

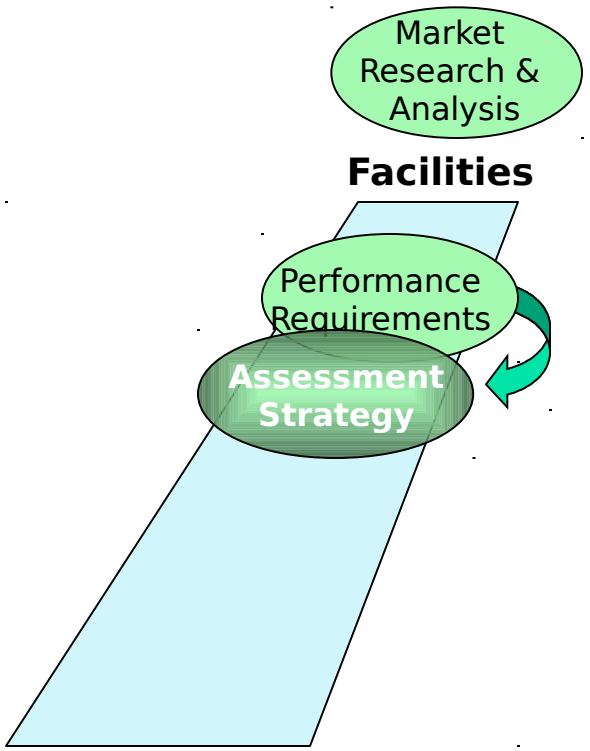
Performance Requirements

Aligned with Acquisition Principles



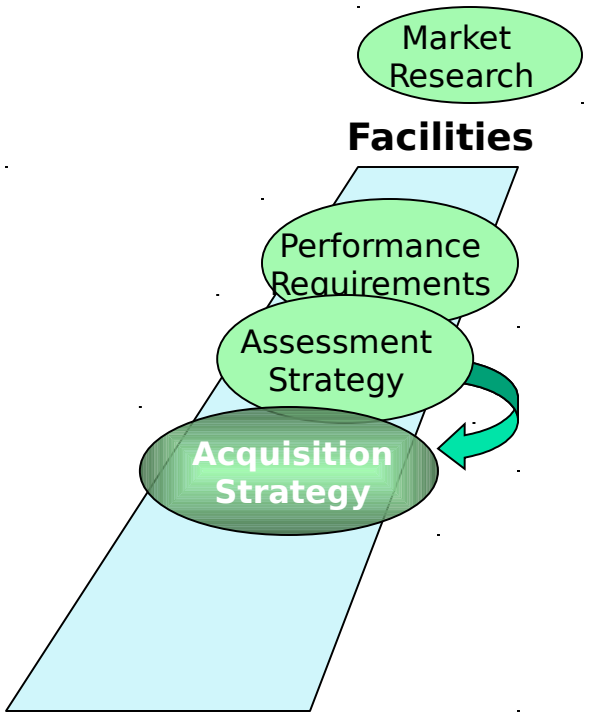
- Develop Business Strategies for key functional areas
  - Integrate market research into strategy
- Develop performance requirements document (PWS or SOO) that focuses on performance outcomes
  - First define “what” performance is required
  - Second focus on the “how well” it must be done (performance standard)
  - Third, the indicator (metric) to tell us how well it was done
  - Plan for and manage change and risk
- Performance requirement and assessment strategy must be jointly developed

Tailored Assessment Strategies and Performance Metrics



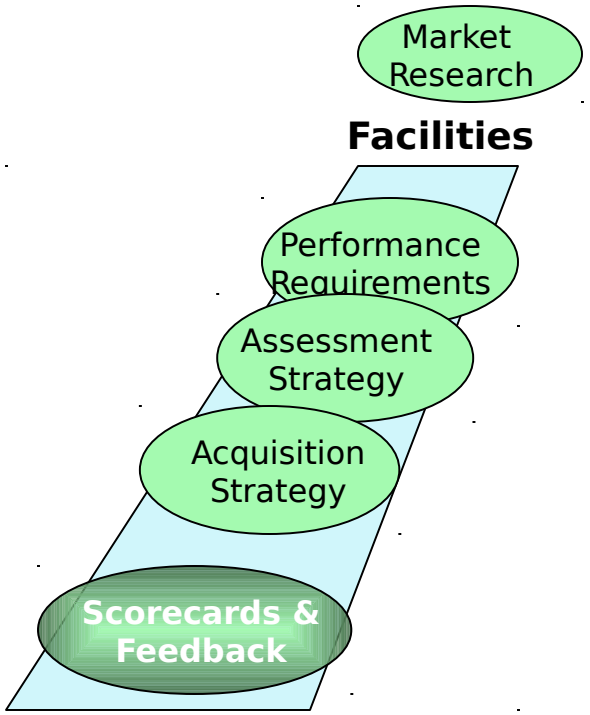
- **Performance Assessment Strategy or Governance Process**
  - Essential for ensuring value is delivered
  - Insight nor oversight into performance
  - QASP or Performance Management Plan defines process and key participants
  - Measures key process and high risk functions that affect clients mission outcomes
  - Link to performance incentive strategy
  - Identify strategy for dealing with problem performance issues and performance reviews
  - Include Earned Value Management when appropriate

Acquisition Strategy Aligned with Acquisition Principles



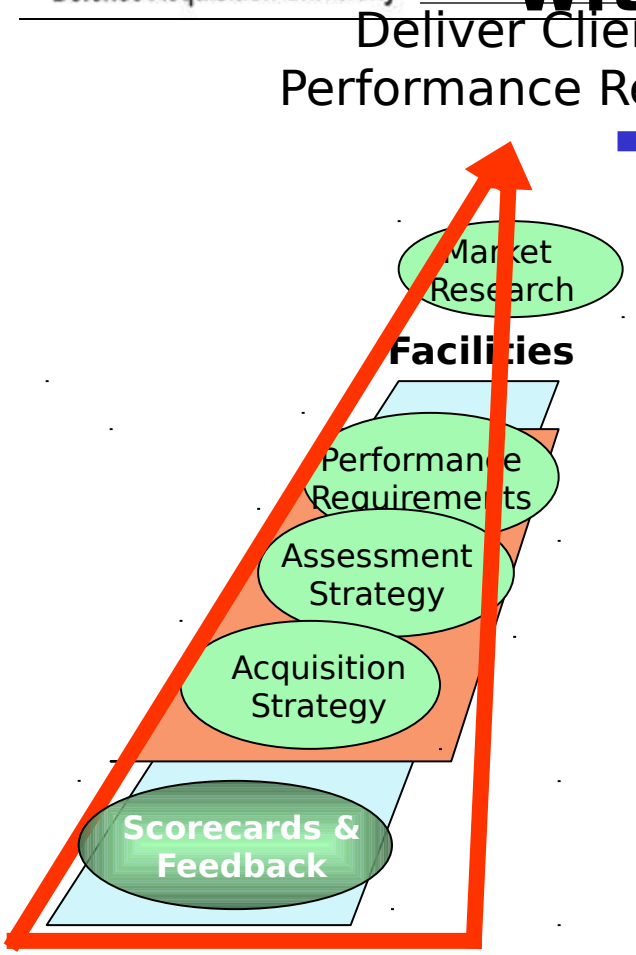
- **Acquisition strategy**
  - Aligned with business strategies
  - Contract type and business arrangement designed to meet clients value proposition
  - Selection evaluation factors that focus on clients most important performance elements
  - Evaluation factors must effectively evaluate alternative approaches to achieving mission outcomes
  - Reliance on quality past performance information
  - Contract performance incentives linked to key performance outcomes
  - How will contractor drive continuous process improvement to deliver better value over time

Performance Scorecards and Feedback Process



- Implementing Post Award Performance Scorecards and feedback process
  - Build and maintain environment of trust and teamwork
  - Open, honest and frequent communications a must
  - Measure and Manage performance based on objective facts and hard data
  - Implement methodology of collecting data
    - QASP
    - Performance Evaluations Forms
    - Balanced Scorecard
  - Focused on improving performance outcomes and ensuring team achieves the vision of: ***"Exceeding our client's expectations with on time, on schedule, and on budget mission focused services"***

Mission Support Value Chain Aligned with Vision and Principles



- Result is a consistent, mission aligned support strategy
  - Aligned at the strategic level
  - Executed tactically
  - Employs all members of the acquisition team
  - Designed to attract best in class providers
  - Creates a performance environment for government and industry focused on achieving clients mission performance outcomes on a continuous improvement basis

Knowledge Enabled People and Aligned Processes

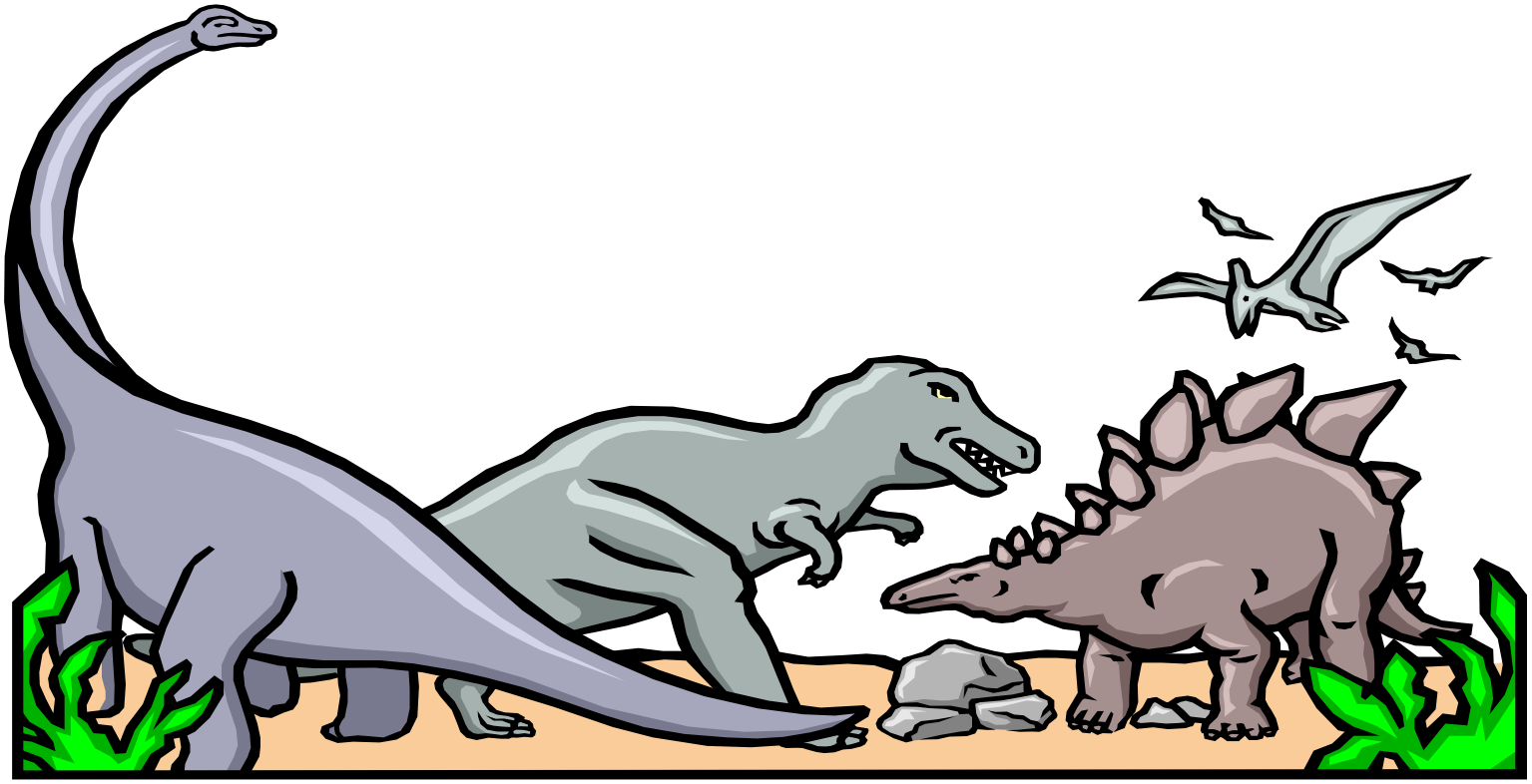
- It takes People, Process and Leadership to build an effective Mission Support Value Chain
- **People** are far more effective when they clearly understand the objective and understand the **Process structure** to achieved it
- Requires cultivating a culture of trust and respect that will enable people to team effectively, measure, adjust and manage results rather than assign blame
- Teams empowered by trust, commitment, facts and knowledge, aligned in a understandable process, focused on achieving mission performance outcomes, ***will*** deliver superior results

Creating a Successful Mission Support Value Chain

Clients Mission Results

"However beautiful the strategy, you should occasionally look at the results"
Winston Churchill

However, out dated Contracting Concepts are not an endangered species



New Ideas and Acquisition Approaches are readily adapted

However, out dated Contracting Concepts are not an endangered species

New Ideas and Acquisition Approaches are readily adapted

BOS Background

- BOS effort started with A-76 study 1998
  - Included 874 Government positions in multiple functional areas
- Conducted Market Research to develop business plan
  - Cross functional visits to 21 major US companies
  - Identified best commercial business practices for sourcing BOS type functions
  - Business Strategy based on observed best commercial practices

Market Research supported Business Strategy

- Commercial companies obtained better performance and savings when they consolidated BOS functional requirements into single contract
  - Support Contractor “owned” the performance outcome responsibility and was accountable for results achieved
- Measure and Manage performance outcomes
  - Specify performance outcomes and metrics
  - Hire an expert and strategic partner, give them flexibility to implement their best practices to manage the outcome, don’t specify the process
  - Gain insight into contractor performance, not oversight

Market Research and Business Strategy (cont)

- Cost plus incentive fee was the most common type of contract for BOS in commercial sector
  - Supplier drives cost down over time through process improvements
  - Promotes supplier-customer partnership by full disclosure and open book relationship
  - Flexibility in responding to emergency or crisis
  - Supplier generates additional incentive fee through continuous process improvement

Creating a "Commercial Model" Business Strategy

- Create a single BOS requirement
  - Single entity "Owns" responsibility and accountability for all key BOS performance outcomes supporting installation mission based on commercial model
  - Included 874 Government (A-76) positions
  - Included several existing small business contracts
  - Requirements excluded for small business prime award
    - Refuse, Postal, Food Service, PMEL, Packing & Crating, Visual Information Services

BOS Includes

A-76 874 Positions

- Civil Engineering
- Communications
- Supply
- Community Services
- Airfield Management

Local Contracts = 200 Positions (Est)

- Family Housing Mx
- Vehicle Ops/Mx
- Transient Alert Maintenance
- Switchboard
- Custodial
- Elevator Maintenance

BOS Acquisition Strategy

- Full and Open Competition
- Contract Type: Cost plus Incentive fee
  - Contractor required to bid a **“<u>fixed overhead</u>”** rate for life of contract
  - Proposed target fee is dependent on meeting three quality performance indicators (QPI)
    - 30% Achieving 30% small business goal
    - 35% Customer satisfaction
    - 35% Performance results
  - Contractor generates Incentive fee through process improvements and performance which under runs target cost
    - Share ratio is 50-50

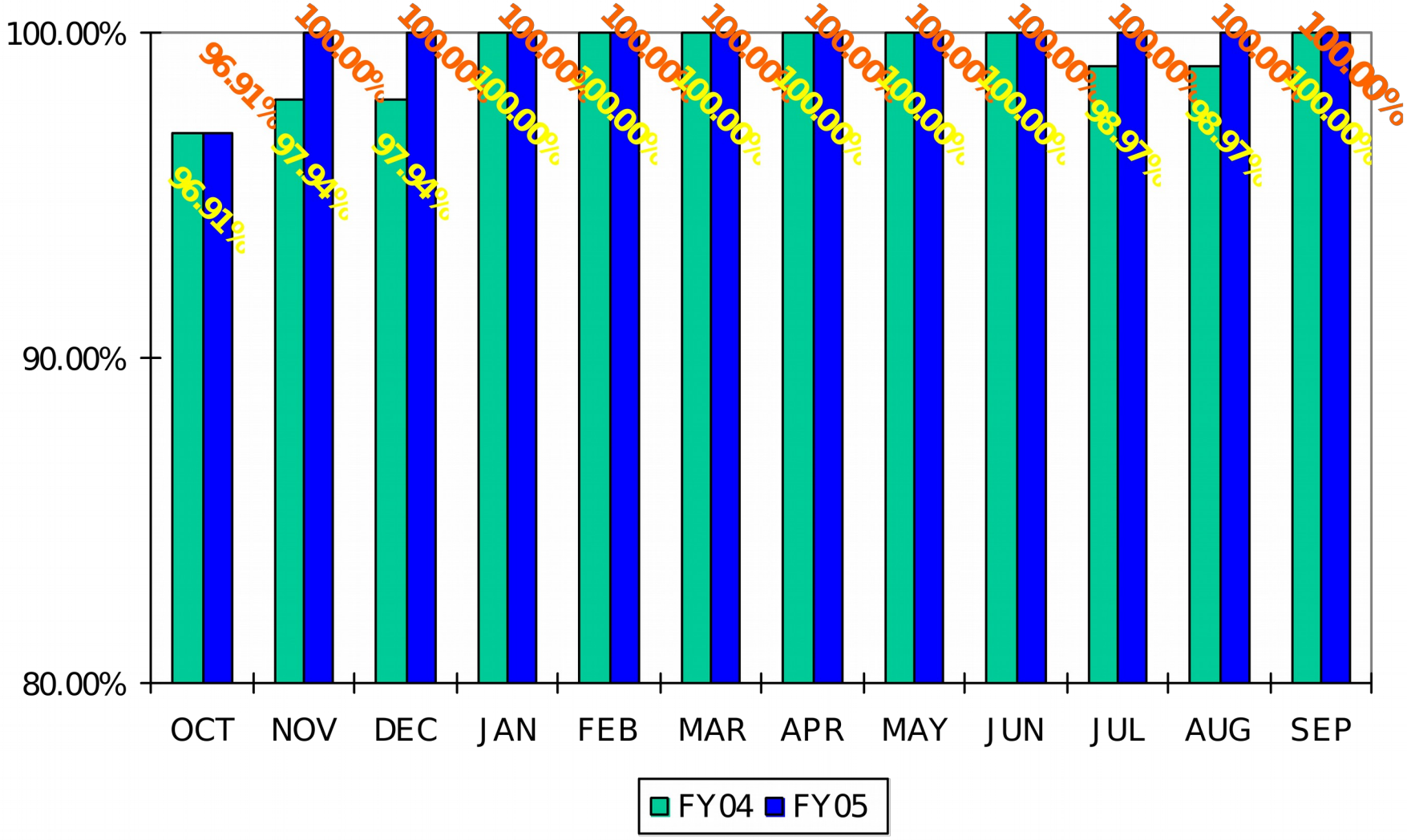
BOS Acquisition Strategy (cont)

- Performance Requirements Document created based on performance outcomes and standards
- Performance Management Flight created to measure and manage performance outcomes
- Contract Awarded Oct 2001 (Protest delayed start)
  - June 2002 Transition and phase in
  - Oct 2002 Full performance started

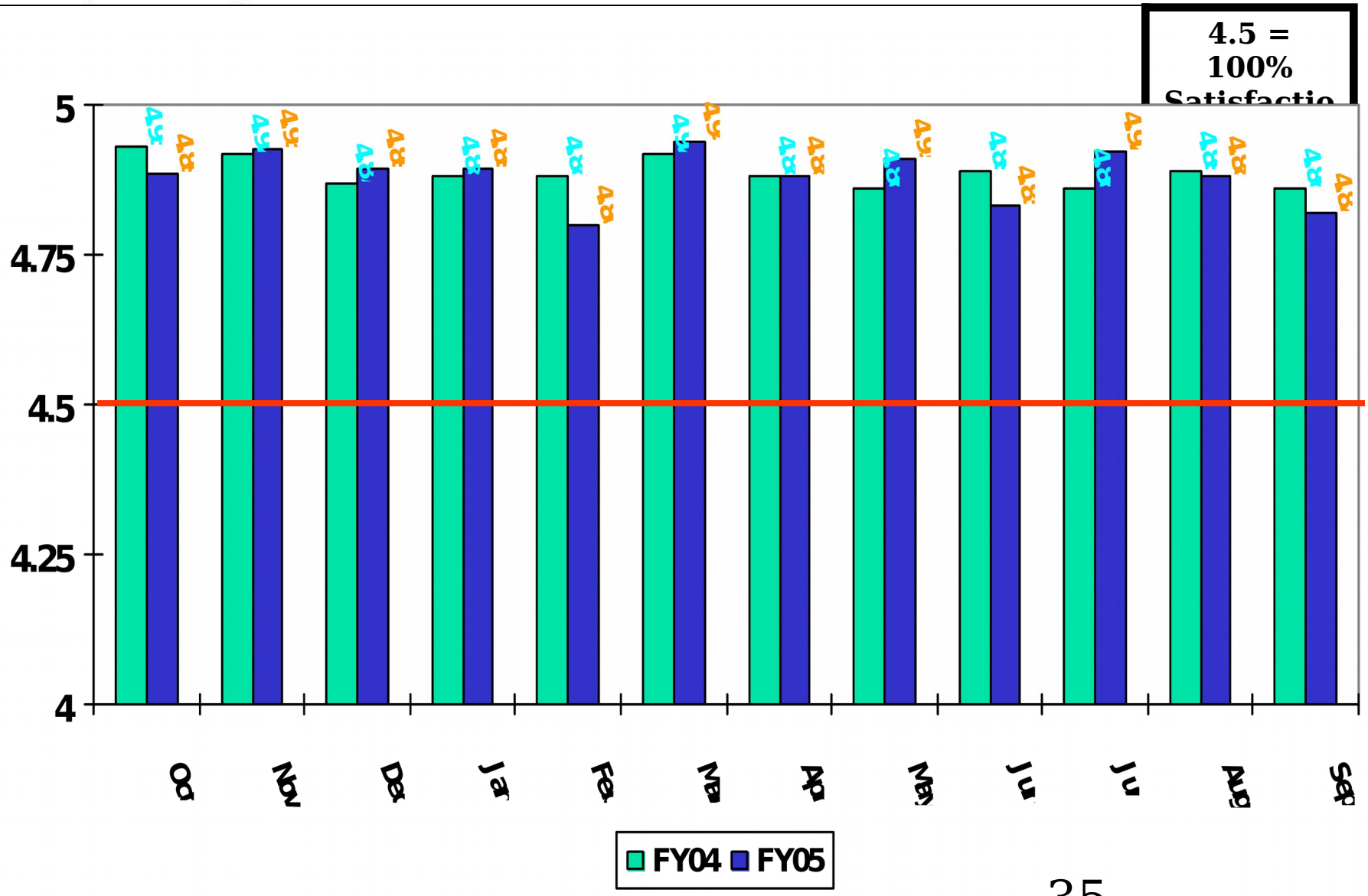
Performance History FY 03 to FY 05

	FY 03	FY04	FY05
Target Cost	$ 33,000,000	$ 33,580,768	$ 34,654,309
Target Fee	1,924,874	1,929,776	1,960,831
Total **Under run** Before 50-50 split	**594,000**	**1,000,000**	**2,000,000**
QPI Factor	94.69	99.24	99.38
Final Fee (% of TC)	$ 2,117,000 (6%)	$ 2,411,310 (7%)	$ 2,942,474 (est. 8.5%)

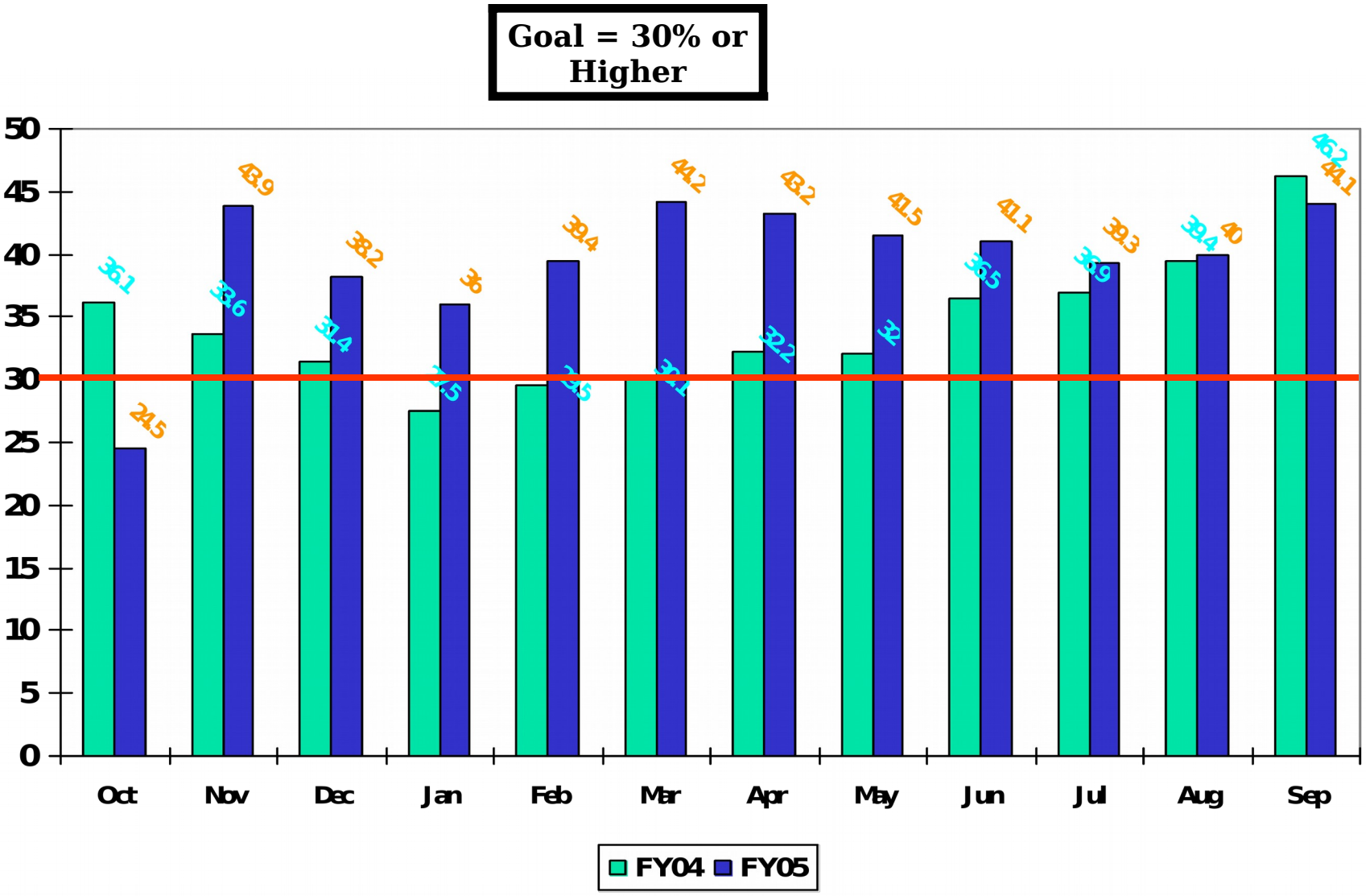
QPI Performance Metrics Summary



Customer Satisfaction Summary (QPI)



Small Business Summary (QPI)



Summary

- This business strategy worked well for the Facility Management mission area
- Other Mission Areas may need different business strategies driven by best commercial practices
- You job is to discover and apply through this process of discovery which strategy will work best for your client
- There is no One Size Fits All for every Mission Area
- Teamwork, Knowledge and Innovation are King

- Questions